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Procedia - Social and Behavioral Sciences 58 (2012) 1378 – 1385

Procedia
Social and Behavioral Sciences8th International Strategic Management Conference

The Effects of Internal Relationship Marketing on Superior Customer Relations as Competitive Performance: Evidence from Healthcare Industry

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Abstract

Strategies and strategic steps to create a competitive organization have been important parts of market success. Internal customers represent one of the leading elements in building competitiveness due to their direct roles in organizations' market practices. Understanding the motivations of internal customers to deliver competitive performance in favor of organizational strategies is important for both executives and marketing scholars. The aim of this study is to explore the effects of internal relationship marketing (RM) on employees' competitive performance through some psychological factors such as internal customer satisfaction, attitudes towards the organization, and emotional labor. This study is based on a survey conducted in Turkey in two separate hospital chains. The data were collected from 169 doctors in 8 private hospitals in Istanbul and Bursa. A research model is proposed with nine postulated hypotheses and verified by empirical data.

Keywords: Internal relationship marketing, emotional labor, competitiveness

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1. Introduction

In today's highly competitive marketplace, the question of how to create and then maintain competitiveness represents the leading interest for all type of organizations regardless of their industry or identity of being not-for-profit or profit-organization (Doyle, 2000). Academicians and practitioners have long chewed on the agents of competitiveness for organizations' market success. The higher the competition occurs, the more meaningful this attempt is. Barney (1991) suggests that any organization must consider three basic types of resources namely physical capital, organizational capital, and human capital as the agents of competitiveness. Resources-based view of Barney is widely accepted in academic area analyzing the sources of competitiveness.

In this context, the aim of this study is to shed light on the effect of internal relationship marketing (RM) to the competitive performance of employees in service industry. Thus, the main research question driving this study is "How does internal RM influence the performance of internal customers through their attitudes towards, and

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psychology and satisfactions in the organization they work for?” We, therefore, hypothesize and empirically test the proposition that internal RM implemented by the management in any organization can significantly and positively influence the performance of employees through internal customer satisfaction (ICS), their attitudes towards the organization (AO), and emotional labor (EL). Previous research (Reingen and Kernan, 1986; Colgate and Danaher, 1999) suggested that individuals who are exposed to ‘relationship closeness’ or are in situations where ‘interpersonal or social bonds’ exist (Gremler and Brown, 1996) are more likely to engage in positive behaviors. From this perspective, this study emphasizes that the effects of relationships in human life can be adopted to the organizational context. A better understanding of factors that facilitate competitive performance of internal customers, such as ‘interpersonal or social bonds’ or ‘relationship closeness’, can provide managers with insight as to how to create competitive organizations.

2. Literature Review and the Research Model

Any firm seeking the way of providing greater value to customers through relations should first understand the value of people in the organisation as value determinants. Market players with broader vision have been working by giving importance to people in the organisation, as well as target people they speak to externally. There is a vast body of research (Stewart, 1996; Loken, 2006) on the relationship between persuasion of target groups and firms’ market success. However, persuasion process designed by management towards internal members has potentially significant effect on their individual performances in persuading consumers. The related literature suggests that (Voss and Zomerdiijk, 2007; Prahalad and Ramaswamy, 2004) target people perceive the buying process as behavioral exchange between firm and customer rather than transactional process. The challenge for providing higher service quality results a consideration for the role of people in the organisation as a strategic issue. Further, the dependability of firm’s market performance to the individual’s performance may turn the topic in to a competitive base. Organisations pursuing to the deliver superior customer value should conceive the value of staff who are the leading agent in the process of transferring the desired satisfactions. Figure 1 presents a framework whereby superior customer relations are determined by a chain of factors beginning with *marketing based relational strategies* for internal customers. Marketing- based relational strategies directed to internal customers induce an internal positive psychology on personnel attitudes. As a result of this transaction, positive emotional labor is expected from internal customers through the pleasure and positive attitudes towards organization. Emotional labor then results in higher service quality, and greater rapport between staff and customer. This model assumes that superior customer relations is determined by marketing –based relational strategies for internal customers. Thus, the perspective of top management for generating competitive advantage through relationship management is considered as a fundamental strategic determinant in the process.

Since one of the primary objectives of organizational activities in competitive marketplace is to build competitiveness for attracting, keeping, and expanding customers, the behavior of employees who are the representatives have become more of a requirement than a choice. Research has shown that (Pugh, 2001; Grandey et al., 2002) the feelings of employees directly influence the way of acting towards external customers. On the other hand, previous studies with empirical results (e.g., Grandey, 2003; Pugh, 2001) clearly indicate that positive displays reflected by internal customers such as smiling, conveying friendliness, and acting with problem solving approach are positively associated with competitive results from the area of external customers such as intention to return or intention to recommend the organization to others (Grandey, 2003). It can be stated, therefore, that internal customers represent a leading part of superior organizational performance towards external customers. Based on the above reasoning we propose that;

H1: There is a positive relationship between internal RM activities and internal customer satisfaction.

H2: There is a positive relationship between internal RM activities and employees’ positive attitudes towards organization.

H3: There is a positive relationship between internal RM activities and emotional labor of internal customers.

H4: There is a positive relationship between internal customer satisfaction and emotional labor of internal customers.

H5: There is a positive relationship between employees' positive attitudes towards the organization and emotional labor of internal customers.

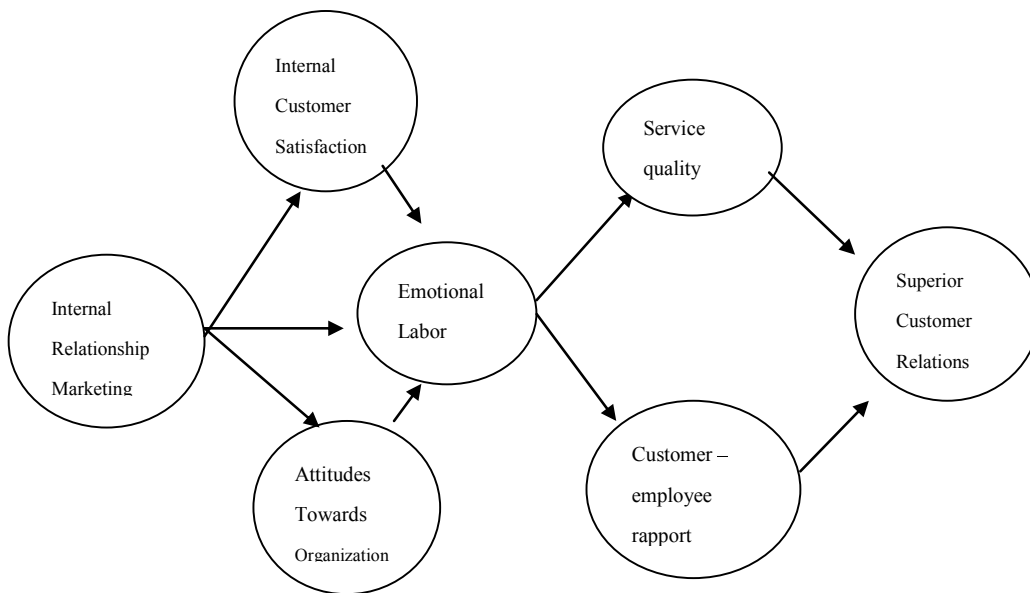
H6: There is positive relationship between emotional labor of internal customers and service quality delivered.

H7: There is positive relationship between emotional labor of internal customers and the rapport in employee-customer interactions.

H8: There is positive relationship between service quality and superior customer relations.

H9: There is positive relationship between the rapport in employee – customer interactions and superior customer relations.

Figure 1: Research Model of the Study



3. Methodology

3.1. The Measuring Instrument

Data on internal RM of organisations towards superior customer relations through emotional labor of internal customers are not available from secondary resources. We, therefore, constituted a questionnaire based on extant literature to measure the constructs included in the research model. Thus, the research of this paper was conducted through a questionnaire consisting of 45 items in four separate sections to measure internal RM activities, internal customer satisfaction (ICS), attitude of employees towards the organisation (AO), emotional labor of internal customers (EL), service quality delivered by employees (SQ), customer-employee rapport (CER), and superior customer relations (SCR). Also, a separate part was measuring the basic demographics and background data on the respondents.

The reliability of measure in the proposed model was tested. Cronbach's alpha was used as an internal consistency measure (Hair et al., 2000). It should be analyzed the Alpha coefficient for each construct involved in research model because of its eclectic structure coming from 7 separate scales. Table 1 presents Alpha scores for each construct of the model. The table indicates that Alpha coefficients of each construct are higher than threshold value of 0.60. This

suggests that the eclectic scale of this study is highly reliable to measure the hypothetical relationships between the constructs involved in the model.

Table 1: Cronbach Alpha Coefficients of the Research Model

Constructs	Item number	Alpha
Internal RM	7	.74
ICS	5	.79
AO	5	.82
EL	11	.77
SQ	5	.84
CER	7	.66
SCR	5	.75
Total	45 items	

3.2 Sampling

Current study was conducted in health service industry in Turkey to test the research model for generating insight on the relationship between internal RM and some related consequences. The universe of this study is all type of organizations but especially the ones that are in services industry because of their market performance based heavily on the performance level of employees. Since the population for this study is too large, it become a necessity to narrow it to make the research model work. In this research, therefore, we used random sampling in order to access to data. The regions of Istanbul and Bursa in Turkey were selected as the field of survey due to its relatively higher socio- economic level in which the competitive efforts of service providers might be observed precisely. More than 10 “chain of hospitals” as hospital brand with about 30 individual body of hospitals available in Istanbul and Bursa in private sector, not in state, were choosen and the doctors in these hospitals were contacted. Then, we contacted them to get permission for the research. Of these chain of hospitals, just 2 organizations invited us to conduct the research on their doctors. One of them had 5 seperate hospitals in both Istanbul and Bursa, while the other had 3 ones just in Istanbul. Thus, a total of 640 questionnaires with full of closed ended questions were posted in late 2011.

In order to minimize the sampling error in quantitative research, the sample should be as larger as possible (Lewis, 1984). In the literature of marketing research (Tinsley and Tinsley, 1987; Hinkin et al.,1997), it is suggested to build a positive relationship between the sample size and the number of items asked in the survey, representing a ratio of at least 1:4 or 1:5. We, therefore, aimed to reach a total sample size, at least, of 180 which represents an allowable error rate less than 5 % at the 95 % confidence level.

The collected data were analyzed by employing SPSS program to see the statistical results on the constructs of research model. A series of regression analysis were used to measure the validity of the research model developed in this study that estimates the unique effect of internal RM activities on SCR through ICS, AO, EL, SQ, and CER constructs.

4. Findings

4.1. Sample Demographics

In total, over the period of 6 weeks in december 2011 – january 2012 the number of usable questionnaires collected from respondents who worked as the doctors in 11 private hospital was 171 representing the response rate of 26.7 %. A sample of 169 respondents answering the questionnaire fully has been considered for analysis of data. About 11 % of the sample (19 individuals) were middle managers titled with department manager, chief or quality manager. In two age groups (less than 40 years old and over 40) there were 42 % (71 individuals) and 58 % (98 individuals) of the sampled group, respectively. Of these sampled individuals, 43.7 % (74 respondents) reported they were retired from state hospitals, while others (56.2 % - 95 individuals) stated their work experience as fully private sector. Of the respondents, 52 % (88 persons) were women, and 48 % (81 persons) were men.

4.2. Analyses and Results

In order to assess the validity of 7 – hypotheses proposed in this research we employed the method of regression analysis. In order to understand the explanatory level of internal RM activities on ICS, AO, and EL, in the first step separate regression analyses were run. The second step regression analyses represent the explanation effort of this research for the relationship between the constructs of EL, SQ, and CER. And finally, the effects of SQ and CER on SCR was measured by another regression analysis.

The results of the regression analyses for how predictive the activities of internal RM on the dependent variables are presented in table 2.

Table 2: Regression Analyses for Internal RM and ICS, AO, EL

Dependent Variables	Independent Variable (Internal RM)			
	β	Sig.	Adjusted R ²	F
ICS	.709*	0.000	0.486	77.129
AO	.423*	0.001	0.257	17.909
EL	.644*	0.000	0.411	62.096

*Correlation is significant at 0.01 level

According to the statistical results in table 2, the regression coefficients are statistically significant at 0.001 level and the independent variable (internal RM) has a positive impact on the variables of ICS, AO, and EL. The results show that H1, H2, and H3 hypotheses of the study are supported by data gathered from the sampled group. The adjusted R² scores are shown as 0.48, 0.25, and 0.41, respectively, that explain 48 % of the variance in predicting ICS, 25% of the variance in predicting AO, and 41% of the variance in predicting EL can be explained by the items in the questionnaire used. The findings show that, as it was predicted in H1, ICS is positively related to the activities of internal RM, and as stated in H2 the AO can occur in the effect of internal RM. Also, EL is directly effected by internal RM. Thus, it is possible to state that when the degree of internal RM activities increases, the degree of ICS, positive AO, and EL will also increase. Then, internal RM activities towards employees can be described a significant determinant of positive psychology in internal customers.

Regression analyses towards second group of hypotheses are summarized in table 3. It should be noted that ICS and AO, that were dependent variables in table 2, changed to independent variables in table 3 in the context of H4 and H5.

Table 3: Regression Analyses for ICS, AO, and EL

Independent Variables	Dependent Variable (EL)			
	β	Sig.	Adjusted R ²	F
ICS	.619*	0.000	0.348	50.705
AO	.531*	0.000	0.296	28.891

*Correlation is significant at 0.01 level

The fourth and fifth hypotheses of the research expecting a positive and significant relationship between ICS and EL, and also between AO and EL were tested through regression analysis. Both of the hypotheses were supported by the data from this research. The hypothesis H4 was reflecting the expectation that if ICS in an organization increases, then, EL of internal customers will also increase. Similarly, hypothesis H5 proposed that EL of employees would be related to employees' positive AO. In line with the expectations of H4 and H5, the regression model was significant in each hypothesis. It should be noted that the variable of ICS has relatively greater effect on the dependent variable of EL.

The results of the regression analyses towards the third group of hypotheses investigating the effect of EL on SQ and CER are indicated in table 4. The third group of the hypotheses of the study involves H6 and H7. In the context of these hypotheses, the main expectation was that EL of internal customers might function as internal energy for SQ and CER in their performances. The regression results presented in Table 4 confirm these theoretical expectations.

Table 4: Regression Analyses for EL, SQ, and CER

Dependent Variables	Independent Variable (EL)			
	β	Sig.	Adjusted R ²	F
SQ	.664*	0.000	0.434	68.818
CER	.502*	0.000	0.273	21.093

*Correlation is significant at 0.01 level

According to the statistical results, H6 investigating the association between EL and SQ was supported by our data with relatively higher and positive regression coefficient (β ; 0.664, $p < 0.001$). As argued in the section of literature review, the construct of SQ, as the performance of employees, is directly influenced from their emotional structure. In other words, EL of employees enhanced by the activities of internal RM plays a significant role on SQ delivered by employees to external customers. On the other hand, the seventh hypothesis (H7) was also supported by the data. The construct of EL as independent variable in the context of H7 had a positive and significant coefficient (β ; 0.502, $p < 0.001$). Based on the results for H7, it can be stated that the efforts of employees to be in rapport with customers are determined by the power of EL they have.

The final group of hypotheses (H8 and H9) in this study deal with the association between SQ and SCR, and also CER and SCR variables to be able to explore the effects of SQ and CER on SCR. The results for H8 and H9 are presented in table 5. One should note that SQ and CER represent independent variables while they were dependent variables in table 4.

Table 5: Regression Analyses for SQ, CER, and SCR

Independent Variables	Dependent Variable (SCR)			
	β	Sig.	Adjusted R ²	F
SQ	.571*	0.000	0.319	31.112
CER	.633*	0.000	0.377	56.061

*Correlation is significant at 0.01 level

It is indicated in table 5 that each of the independent variables had a significant and positive effect on the dependent variable of SCR. The findings showed that the coefficient of determination (R^2) was 0.319 for the association between SQ and SCR, representing that 31.9 % of SCR can be explained by the variable SQ. The final hypothesis of this study dealing with the relationship between the independent variable of CER and the dependent variable SCR was also supported by the data from the sample. main dependent variable of the research model (SCR). This indicates that there was a statistically significant link between CER and SCR. Also, the relatively higher beta value for H9 reports that the variable CER has more influence than SQ on the dependent variable of SCR.

5. Conclusion

RM represents an approach from strategic perspective in marketing science, and thus it can be viewed as one of the parts of strategic marketing management with a customer orientation. As competitive behaviors of organizations are in transition owing to changes in demographics and psychographics, and the market environment, exploring the ways of delivering high-level customer value in a sustainable manner is essential for them to remain a strong market position over their competitors.

This paper has shown the effects of internal RM activities, that employees were exposed to, on ICS, their AO, and EL. Also, the results of EL based on ICS and AO on the construct of SCR representing the main dependent variable of the study was analyzed in an empirical context in order to contribute to the understanding on this area of research. More specifically, we analyzed the issue of RM that is a leading topic in marketing science, and the issue of EL, representing the area investigated intensively in management literature, within the same context. The results of regression analyses showed that internal RM activities implemented by the management in an organization had significant and positive contributions to ICS, AO, and EL of internal customers. Therefore, it is possible to state that internal RM activities can create competitive results for the firm such as SQ, ECR and SCR through the functionality of the constructs of ICS, AO, and EL.

However, this study has several implications for the research area. First, it should be noted that there is a need to create a scale that will have a wide consensus among academics. Thus, the one who intends to investigate the link between internal RM and its competitive results will not have to use the eclectic body of scale like used in this study. In addition, such a scale have to be tested in different industries such as services, manufacturing, or trade in which the level of interactions with external customers have significant differences.

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